

City of Detroit

CITY COUNCIL

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TO: Celeste McDermott, Esq., Director - DCCC
Cable Commission

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: May 1, 2008

RE: 2008-2009 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, May 7, 2008 at 10:30 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Norman White, Chief Financial Officer
Pam Scales, Budget Department Director
Renee Short, Budget Department
Kerwin Wimberly, Mayor's Office

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Cable Commission

FY 2008-2009 Budget Analysis by the Fiscal Analysis Division

Summary

The mission of the Detroit Cable Communications Commission (DCCC) is to ensure the delivery of efficient and cost effective cable television and telecommunications systems to the residential and business communities of the City of Detroit.

The DCCC has two functions: administration and regulation; operation of the government and educational access channels.

There are two appropriations for the DCCC in the Non-Departmental Budget for expenditures and a third appropriation for revenue collection where the franchise fee is recorded.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2007-08</u>	<u>Filled Positions 3/31/2008</u>	<u>Mayor's Budget Positions FY 2008-09</u>	<u>Over/(Under) Actual to 07/08 Budget</u>	<u>Mayor's Recommended Turnover</u>
Non-Departmental (35):					
00972 Cable Communications Comm.	8	4	8	(4)	\$ -
00973 Government Access	2	2	2	0	\$ -
TOTAL	<u>44</u>	<u>38</u>	<u>47</u>	<u>(6)</u>	<u>\$ -</u>

As of March 31, 2007, the Cable Commission has eight contractual positions filled in the Government Access appropriation.

The Mayor recommends a total of \$2.0 million in appropriations for the Cable Commission, a \$67,868 increase from the current year. There are increases in Operating Services, \$55,461, Capital Equipment, \$15,000, Professional and Contractual, \$10,000, and Salaries, \$6,630 offset by decreases in Employee Benefits \$17,252, and Other Expenses, \$1,440 and Operating Supplies, \$531 categories that net to the \$67,868 increase.

The Mayor recommends revenue of \$4 million in Appropriation 05080 – Cable Franchise Fee. This represents the same level as the current year's budget.

Professional and Contractual Services:

Communication Department (35)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2007-08 Budget</u>	<u>FY 2008-09 Recommended</u>	<u>Increase (Decrease)</u>
Cable Commission	<u>\$ 521,592</u>	<u>\$ 531,592</u>	<u>\$ 10,000</u>
Total	<u>\$ 521,592</u>	<u>\$ 531,592</u>	<u>\$ 10,000</u>

Issues and Questions

1. On page 35-12, it is stated that "effective January 1, 2007, it's regulatory authority was modified by the State of Michigan's Uniform Video Services Local Franchise Act...". And that during fiscal 2006-07 franchise agreements were entered into with both AT&T and Comcast. Highlight for Council the positive and negative ramifications from your viewpoint of this change. From a customer perspective has this increased/decreased competition and service to the customer?
2. Are any other providers expected to enter the Detroit Market? What affect do you expect this competition to have on the rates paid by residents?
3. Considering the reduced roll of the Cable Commission to negotiate local franchise agreements, is there some point in the future where expenditures for the Cable Commission can be significantly reduced or possibly completely eliminated as a result of the new legislation?
4. Can you provide current market statistics for penetration in Detroit for cable and internet services? Can you compare the Detroit market penetration numbers with other surrounding communities and the national average?
5. On page 35-15, the METRO Act Maintenance Fee Target for 2008-09 shows N/A, while the 2006-07 Actual and 2007-08 Projection is \$2.8 million. Can you explain what has happened to this fee?

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